

2016

GROWTH STRATEGY

JAPAN



Template for 2016 Growth Strategy Update

A. Economic Context and Objective

The economic policy package adopted by the Japanese government, known as “Abenomics”, consists of three policy measures: namely (i) bold monetary policy, (ii) flexible fiscal policy, and (iii) growth strategy, or a menu of structural reforms, which promote private investment.

Structural reforms under Abenomics have been steadily implemented. Since the onset of Abenomics, the Japanese government has undertaken drastic reforms on areas where so-called “bed-rock regulations” remain, including agriculture, healthcare, energy, and labor market. The government has also encouraged growth-oriented corporate management, through such measures as corporate tax reform, enhancement of corporate governance, and full-fledged engagement in economic partnership negotiations. Furthermore, it has requested higher wages through the public - private dialog, with a view to eliminating the deflationary mindset.

These measures resulted in record-high corporate earnings and higher wages, The labor market condition has been significantly improved, with lower unemployment rate (3% range), the highest jobs-to-applicants ratio in past 24 years, and 1.1 million new jobs. Going forward, the economy is expected to overcome deflation, with its labor market further tightening and the output gap rapidly closing. A virtuous economic cycle has been steadily in motion.

However, in order to tackle declining birth rates, population aging and uncertainty on global economy, in particular emerging economies, more reforms are needed. In particular, it is essential for Japanese companies to shift their internal reserves into investment for equipment, innovation and human resources, thereby contributing to future growth. In this light, the following focus areas can be identified:

- 1) Strategically creating new growing markets;
- 2) Overcoming supply constraints and workforce shortage through unprecedented improvement in productivity (“Revolution in Productivity”); and
- 3) Strengthening human resource capacity, to adopt and support new emerging industrial structure.

Moreover, economic revitalization should proceed in tandem with fiscal consolidation. Specifically, the Japanese government will tackle fiscal consolidation with strong stance and determination, while making best efforts to make economic growth sustainable. The Growth Strategy should be constantly evolving to maintain this balance.



B. Macroeconomic Policy Actions to Support Growth

Japan's GDP grew by 0.6% in nominal terms (0.5% in real terms) in Q1 2016. Japanese economy is on a moderate recovery path, given the fact that labor market demand recovered to the level before the burst of the asset price bubble in 1990s. A virtuous economic cycle has been steadily in motion, where the economic recovery leads to more employment and higher wages, which in turn can lead to increase in consumption and investment (and vice versa). The positive impact of the economy spread to local areas, as jobs-to-applicants ratios grew all over the country and wages were lifted in a number of local companies during the past several years.

The year-on-year rate of change in the consumer price index (CPI, all items less fresh food) is likely to be slightly negative or about 0 percent for the time being, due to the effects of the decline in energy prices, and, as the underlying trend in inflation steadily rises, accelerate toward 2 percent. Assuming that crude oil prices will rise moderately from the recent level, it is likely that the negative contribution of lower energy prices to the year-on-year rate of change in the CPI will diminish gradually, and the Bank of Japan projects that the year-on-year CPI rate will reach around 2 percent -- the price stability target -- during FY2017. Thereafter, the CPI is likely to be around 2 percent on average. In January 2016, the Policy Board of the Bank of Japan decided to introduce "Quantitative and Qualitative Monetary Easing (QQE) with a Negative Interest Rate" in order to achieve the price stability target of 2 percent at the earliest possible time. The Bank has lowered the short end of the yield curve by reducing its deposit rate on current accounts into negative territory and has been exerting further downward pressure on interest rates across the entire yield curve, in combination with large-scale purchases of JGBs. In addition, this policy framework is designed to enable the Bank to pursue additional monetary easing in terms of three dimensions, combining a negative interest rate with quantity and quality. By making full use of "QQE with a Negative Interest Rate," the Bank will achieve the price stability target of 2 percent at the earliest possible time.

On external front, Japan's current account surplus shrank rapidly after 2010 due to structural changes in the country's economy and decelerating demand from emerging markets, coupled with rising energy prices and import price increases due to depreciation of yen. In 2014, the current account went negative, as a result of increased import value associated with the consumption tax hike in April 2014; however, since the fall of that year, the current account recovered to positive, owing to the influence of falling energy prices, an increased number of visitors from overseas, and higher income from foreign assets. Also, the year 2015 marked a remarkable current account recovery to the level of 2010 due to lower energy prices and robust travel balance, which moved into the black for the first time since CY1962.

C. Structural Reform Priorities



Please do not include investment measures in this section. Discussion of investment initiatives is separately listed under Section D below.

C1. Implementation of Past Growth Strategy Commitments

Details on implementation should be provided in annex 1.

C2. New Structural Reform Measures

1. Facilitating the Fourth Industrial Revolution: IoT, Big Data, Robot

Through the following pillars, the strategy envisages future Added value of 30 trillion yen by 2020.

- a. **National focal point.** Establish a public-private council to lead the Forth Industrial Revolution on a nationwide scale
- b. **Regulation.** Review existing regulations and administrative rules in a comprehensive manner.
- c. **Use of Data.** Promote use of data and technology, such as FinTech, supply-chain management, automated cars, drones, and smart factories, in particular for SMEs.
- d. **Investment for innovation.** Triple the amount of investment from corporations to universities and research institutes. Establish five world-class R&D centers.
- e. **Strengthen human resource capacity.** Provide high-level education by using IT. Make programming training mandatory. Provide green cards to foreigners in an expeditious manner.

2. : Creating new growing markets

Industry	Policy direction (examples)	Goal
Health industry	Promote use of robotics, Big data, IoT to R&D, diagnosis, examination, and nursery	Increase the market size from 16 trillion yen in 2011 to 26 trillion yen in 2020
Environmental Energy industry	Promote renewable energy, fuel cell vehicles. Launch a negawatt market by 2017	Increase the energy-related investment from 18 trillion yen (FY2014) to 28 trillion yen (FY2030)
Sports-related industry	Link sports with IT, health, tourism, and fashion industries	Increase the market size from 5.5 trillion yen in 2015 to 15 trillion yen in 2025
Existing House/ Renovation industry	Build valuation mechanism for existing by FY2016	Increase the market size from 11 trillion yen in 2013 to 20 trillion yen in 2025

3. Introduction of "Quantitative and Qualitative Monetary Easing (QQE) with a Negative Interest Rate"

In January 2016, the Policy Board of the Bank of Japan decided to introduce "Quantitative and



Qualitative Monetary Easing (QQE) with a Negative Interest Rate" in order to achieve the price stability target of 2 percent at the earliest possible time.

4. Strengthening local economies (“Local Abenomics”)

Focusing on key areas that are most relevant to rural areas, such as service industry, SMEs, agricultural industry, and tourism. Examples of polices include:

- a. **Service.** Promote innovative service development by subsidies and create industry-specific guidelines to boost productivity
- b. **Agriculture.** Strengthen the coordination between industry and agriculture. Promote smart agriculture.
- c. **Tourism.** Develop tourism professionals. Support tourism management on a regional scale.

5. Working Style Reform

Promotion of working-style reforms as follows:

Non-Regular Workers: increase the wage level of part-time workers in relation to full-time workers and reduce the percentage of people who are forced to work as non-regular workers against their will.

Long Working Hours: change the practice of long working hours.

Employment of the Elderly: enhance the employment of the elderly.

Minimum Wage Increase

D. Investment

The overall status of implementation of 2015 Investment Strategy can be described as below:

(i) To restore the annual level of business investment at pre-Lehman shock (70 trillion yen) by FY2015
64.8 trillion yen(FY2012) → 70.1 trillion yen (FY2015)

(ii) To double the inward FDI stocks from 19.2 trillion yen at end-2012 to 35 trillion yen in 2020
19.2 trillion yen (end-2012) → 24.4 trillion yen (end-2015)

The statuses of respective pillars specified in 2015 Investment Strategy are:

- Investment Ecosystem
 - To become among top 3 advanced countries in the ranking of the World Bank’s “Doing Business” by 2020 **15th(2013) → 24th(2016)**

- Infrastructure



➤ To expand the size of PPP/PFI projects over the ten years (from FY2013 to FY 2022) to 12 trillion yen **4.2 trillion yen (from FY1999 to FY2012, PFI only) → 2.4 trillion yen (from FY2013 to FY2014)**

➤ “Resilience to Disasters”

◇ To increase the ratio of major terminal stations which are earthquake-resistant from 91% (end-FY2012) to almost 100% (end-FY2017) **91%(end-FY2012) → 95%(end-FY2014)**

◇ To increase the ratio of residents which are earthquake-resistant from 79% (FY2008) to 95% (FY2020) **79%(FY2008) → 82%(FY2013)**

● SMEs

➤ To ensure entry rates of corporations to exceed exit rates of corporations, and to increase entry/exit rates close to 10% (currently at about 5%)

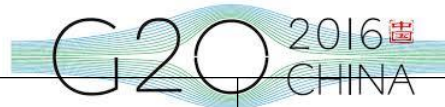
(entry)4.6/(exit)3.8% (FY2012) → 4.9/3.7% (FY2014)

➤ To increase the number of profit-making SMEs from 0.7 million in FY2012 to 1.4 million by FY2020

0.7 million yen(FY2012) → 0.9 million yen(FY2014)

◆ Japan’s Investment Strategy

	Facilitators	Safeguards
Investment Ecosystem	<p>1 Supporting Improvements in Investment Climate Pro-growth corporate tax reform Further regulatory reforms in National Strategic Special Zones</p> <p>2 Facilitating Financial Intermediation Reinvigorating financial and capital market and reforming management of public and quasi-public funds</p>	<p>3 Enabling Appropriate Legal and Institutional Settings Enhancing corporate governance and provision of risk money Further promote growth-oriented corporate governance</p>



Infrastructure	<p>4 Supporting Improvements in Investment Climate More efficient public investment Strengthening industrial infrastructure</p>	<p>7 Enabling Appropriate Legal and Institutional Settings Making more use of PPP/PFI Environment-friendly infrastructure</p> <p>8 Project Spectrum: Project Planning, Prioritization and Process Development Extending life-span of infrastructure Resilience to disasters More efficient public investment</p>
SMEs	<p>10 Facilitating Financial Intermediation Facilitating financial intermediation Supporting start-ups</p> <p>Others Increasing profitability of small- and medium-sized enterprises</p>	<p>12 Enabling Appropriate Legal and Institutional Settings Encouraging business restructurings</p> <p>Others Capacity building on accounting and taxation to enhance SME financing</p>





Annex 1. Past commitment – Brisbane and Antalya commitments

The purpose of these tables is to monitor the implementation of members’ previous commitments.

Brisbane and Antalya Key Commitments for Monitoring Purposes

<ul style="list-style-type: none"> Enhance corporate governance through the Corporate Governance Code which will be drafted by the Tokyo Stock Exchange: 	<p>The Tokyo Stock Exchange (TSE) will draft the Corporate Governance Code, which outlines the principles of corporate governance. A council of experts of which FSA and TSE will jointly act as a secretariat, will aim to prepare key elements of the Code by around this fall so that TSE can newly draft the Code in time for the season of general shareholders’ meetings in (June,) 2015.</p>		
<p>Detailed implementation path and status</p>	Interim Steps for Implementation	Deadline	Status
	All the necessary interim steps have been completed	June 2015	The Corporate Governance Code entered into force on June 1, 2015.
<p>Impact of Measure</p>	<p>Through enhanced corporate governance and other relevant efforts, Japan aims to restore the annual level of business investment at pre-Lehman shock (70 trillion yen) by FY2015 (64.6 trillion yen in FY2012).</p> <p>The entry and closing rates of companies have increased from 4.6% and 3.8% to 4.8% and 4.0% in FY2013 in FY2012, respectively. ROE has been risen from 5.8% in 4Q 2012 to 8.7% in 1Q 2015. Two independent outside directors will be obliged to be appointed after the enforcement of Corporate Governance Code from June 2015. The number of investors which adopt Japan’s Stewardship code has been attained to 197 in September 2015, including GPIF.</p>		

<ul style="list-style-type: none"> Improve the business environment by providing risk money to new technologies and ideas through security based crowd-funding or making regulatory restrictions transparent to enterprises: 	<p>[1] In order to reduce regulatory uncertainty surrounding new business activities, the government has put in place a new mechanism under which enterprises are able to check in advance whether any regulatory restrictions apply to their business plans.</p> <p>[2] At the same time, the government is working toward strengthening financial and capital markets to promote the provision of risk money to growing businesses. A wider variety of financial products and a broader range of investors can stimulate private investment. For example, a bill was approved by the Diet which promotes the use of security based crowd-funding, aiming to provide risk money to new technologies and ideas.</p>		
<p>Detailed implementation path and statuses</p>	Interim Steps for Implementation	Deadline	Status
	All the necessary interim steps have been completed.	These measures do not have specific deadlines.	1. The government established the new system in January 2014. Under this system, individual



		<p>enterprises are able to check in advance whether any regulations are applied to their new business, and 76 enterprises used this system as of 9 June 2016. For example, a private company has successfully introduced a blood test service after clarifying if this service is not recognized as a “medical practice” which only medical doctors can provide.</p> <p>2. The law for institutional preparation of equity crowd-funding was enforced in May 2015.</p>
<p>Impact of Measure</p>	<p>Through them, Japan aims to restore the annual level of business investment at pre-Leman shock (70 trillion yen) by FY2016 (64.6 trillion yen in FY2012).</p>	

<ul style="list-style-type: none"> Reinvigorate the financial and capital markets and reform the management of public and quasi-public funds: 	<p>[1] The government aims for building the best financial and capital market in Asia, including through promotion of infrastructure fund and healthcare REIT, improvement in securities and fund settlement, enhancement in transparency of investment trust, and further promotion of the NISA (tax-exempt individual investment accounts). [2] The government will also support Japanese firms’ and financial institutions’ activities in Asia.</p> <p>[3] The Government Pension Investment Fund (GPIF) will appropriately revise its policy asset mix as quickly as possible, following based on this year’s revaluation of pension finance. It will enable the GPIF to respond to the long-term changes in the economic and investment environment, such as changes from deflation to moderate-inflation environment, in order to secure sound pension finance over an extended period of time. In addition, initiatives for strengthening the governance structure of the GPIF will be immediately promoted, such as (i) the improvement of the investment committee structure, (ii) the securement of investment professionals, (iii) accelerating discussion on other necessary measures including the necessity of law amendments etc.</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p>	<p>Deadline</p>	<p>Status</p>
	<p>1-2. All the necessary legislative processes have been completed. Steps such as further popularization of the</p>	<p>1-2. These measures do not have specific</p>	<p>1. The guideline for healthcare REIT was established in June 2014. The upper limit on annual</p>

	<p>measures are necessary.</p> <p>3. The GPIF revises its policy asset mix and initiates its discussions on strengthening the governance structure.</p>	<p>deadlines.</p> <p>3. These measures do not have specific deadlines.</p>	<p>investment of NISA accounts was increased from 1 million yen to 1.2 million yen in January 2016. Investment in “Junior NISA” (for aged less than 20 years old) started in April 2016.</p> <p>The ordinance for promoting infrastructure fund was enforced in September, 2014.</p> <p>The ordinance for improving investment reports for investment trusts was enforced in December, 2014.</p> <p>The Japanese Bankers Association reached conclusion on concrete proposal and schedule to enhance fund settlement in December 2014.</p> <p>2. Standardization of document format for bonds issuance among ASEAN+3 countries is underway in cooperation with ADB.</p> <p>3. The GPIF adopted its new asset allocation policy and established the governance committee in October 2014. The government has submitted a bill for public pension reform which includes establishing the management committee in the GPIF to strengthen its governance structure to the Parliament.</p>
<p>Impact of Measure</p>	<p>The government aims for building the best financial and capital market in Asia through these measures. The number of account of NISA has been increased 8.25 million (3.33 million increase compared to last year) as of December 2014. Two brands of healthcare REIT have been listed.</p>		

<ul style="list-style-type: none"> Enhance the competitiveness of Japanese companies 	<p>The government will strengthen Japan’s locational attractiveness and enhance competitiveness of Japanese companies. In this context, the</p>
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<p>through promotion of a pro-growth corporate tax reform:</p>	<p>government aims to reduce the effective corporate tax rate to the internationally-comparable level and embarks on corporate tax reform to be more growth-oriented. To that end, the government aims to reduce the percentage level of the effective corporate tax rate down to the twenties in several years. The government will start the first phase reduction from the next fiscal year.</p> <p>As regards the revenue sources to fund such rate reduction, including the fact that the Japanese economy is pulling out of the deflation and showing structural improvements, in order to be consistent with the FY2020 target to achieve primary surplus, permanent revenues will be secured through such measures as broadening the tax base and so forth. The government will continue to discuss this issue towards the end of this year when we will reach conclusions on the specifics.</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p> <p>Legislative process will be necessary before the decision of additional reduction of effective corporate tax rate.</p>	<p>Deadline</p> <p>The percentage level of the effective corporate tax rate will be reduced down to the twenties within several years.</p>	<p>Status</p> <p>The law was approved in the ordinary Diet session in 2016 which determined to reduce the level of the effective corporate tax rate from 32.11% to 29.97% in FY2016 and 29.74% in FY2018 while necessary revenues are secured through broadening the tax base and so forth. As a result, the government achieved the aimed goal of “the effective corporate tax rate to twenties”.</p>
<p>Impact of Measure</p>	<p>By strengthening Japan’s locational competitiveness in combination with other measures, Japan aims to be among top 3 developed countries in the ranking of the World Bank’s “Doing Business” by 2020 (ranked 19th in 2015).</p>		

<ul style="list-style-type: none"> Attract foreign enterprises and promote business start-ups through measures such as providing clarification on employment rules or acceptance of the foreign people in National Strategic Special Zones: 	<p>In order to strengthen Japan’s competitiveness as a business hub, the government further introduce regulatory reforms in National Strategic Special Zones. Specifically, it would consider introducing [1](i) simplified and accelerated incorporation procedure, [2](ii) more convenient information services in English regarding financial administration, [3](iii) relaxation of bus-related regulations for improvement of airport access, and [4](iv) acceptance of the entrepreneurial people in National Strategic Special Zones as well as establishment of new scheme for accepting diverse foreign people. The government will soon conclude its consideration on these potential reforms and submit laws to the next</p>
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<p>Diet session, if necessary.*</p> <p>The government will also implement following reforms to utilize foreign human resources.</p> <p>- [5] accepting foreign housekeeping support workers in National Strategic Economic Special Zones.*</p>			
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	All the necessary legislative processes have been completed.	The government will submit laws to this Diet session, if necessary.	<p>The revised law to call in foreign enterprises and promote entrepreneurs in National Strategic Special Zones was passed in the ordinary Diet session in 2015.</p> <ol style="list-style-type: none"> 1. "Tokyo One-Stop Business Establishment Center" has been established in order to provide one-stop service for incorporation procedures. 2. One stop desk for inquiries in English about laws and regulations has been established. The English translation of laws and regulations is in progress 3. The regulation on the upper limit of fare was abolished for airport access buses. 4. The revised law includes provisions to abolish regulations which foreign entrepreneurs must hire two full-time employees and invest at least 5 million yen. 5. The revised law includes provisions which foreign housekeeping support workers can be accepted.
Impact of Measure	Through these reforms and other measures, Japan aims to double the inward FDI stocks to 35 trillion yen in 2020 (18.0 trillion yen at end-2013). At end-2014, inward FDI stocks are estimated to amount to 20.7 trillion yen.		



<ul style="list-style-type: none"> Enhance women's participation by measures such as raising childcare leave benefits: 	<p>In order to reduce the number of women who leave workforce due to childbirth/child rearing and to increase the percentage of women in leadership position, the government is taking following measures.</p> <p>-[1] raising childcare leave benefits from 50% to 67% of wages prior to leave for the initial 6 months of leave period.</p> <p>In addition, the government added the following new commitments in June 2014 in order to enhance women's participation and advancement in job market.</p> <p>- [2] introducing over 10,000 integrated after-school childcare services/programs and securing the capacity of after-school childcare centers for about 300,000 children by the end of March 2020.*</p> <p>- [3] obliging listed companies to disclose the number of women in executive positions in their financial reports before by March 2015.*</p> <p>- [4] reviewing tax and social security system to be neutral with regard to how women choose to work .</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p> <p>1-3. All the necessary interim steps have been completed.</p> <p>4. Legislative process including passage of the law will be necessary.</p>	<p>Deadline</p> <p>1. This measure does not have specific deadline.</p> <p>2. By the end of March 2020.</p> <p>3. By March 2015.</p> <p>4. This measure does not have a specific deadline .</p>	<p>Status</p> <p>The law to promote women's participation was already approved in the ordinary Diet session in 2015.</p> <p>1. This measure has been activated since April 2014.</p> <p>2. The government established the comprehensive plan for introducing integrated after-school childcare service/programs toward the goal set by March 2020 in July 2014. The number of integrated after-school childcare services/programs is still under examination.</p> <p>3. The amendment of the ordinance for obliging listed companies to disclose the number of women in executive positions in the financial reports has been enforced in March 2015.</p>



		<p>4. Reports on personal income tax and on social security system were published in November 2014 and January 2015, respectively. The former report spells out possible options and relevant issues on personal income tax system, while the latter argues the importance of extending the coverage of employee s’ insurance to part-time workers, which include a number of women. Based on this report, the bill have been submitted to the Diet that includes expanding application of employee insurance for part-time workers in SMEs.</p>
<p>Impact of Measure</p>	<p>Together with other measures to facilitate women-friendly work places such as disseminating good practices and promoting disclosure of company information on female participation, the government aims to raise the employment rate of women (aged 25-44) from 68 percent (in 2012) to 73 percent in 2020 and to increase women occupying leading positions to 30 percent in 2020.</p> <p>In 2014, the employment rate of women (aged 25-44) has been raised to 70.8%.</p>	

<ul style="list-style-type: none"> Develop the agriculture industries as new growth engines through measures: 	<p>- [1] The government has taken measures to facilitate the participation of various entities, including private companies, into agriculture sector by establishing “Farmland consolidation banks” to consolidate the fragmented farmland ownerships.</p> <p>- [2] The government will undertake integrated regulatory reform of Agricultural Committee and others so that highly-motivated and business-minded farmers can pursue more dynamic production and operation with taking advantage of knowledge of corporations. Related bills will be submitted to the ordinary Diet session in 2015.*</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p>	<p>Deadline</p>	<p>Status</p>
	<p>Legislative process including passage of the law will be</p>	<p>1. “Farmland consolidation</p>	<p>1. “Farmland consolidation banks” was established for</p>

	necessary. And all the necessary legislative processes have been completed.	banks” for all 47 prefectures in Japan should be established by November 2014. 2. This measure does not have specific deadline.	all 47 prefectures in Japan. Renting of farmlands has been implemented. 2. A law for the reform of agricultural cooperatives, agricultural committee and agricultural production corporation came into force on April 1, 2016.
Impact of Measure	Through these measures, the government aims to quadruple the number of farms run by corporate farmers over the next ten years.		

<ul style="list-style-type: none"> Develop health care industries as new growth engines through measures such as establishing a non-profit holding company system in 2015: 	<p>[1] The government aim for establishing non-profit holding company system in 2015. It would allow multiple medical and social welfare corporations to be managed in an integrated manner. It will also design a system, required to allow university hospitals to be spun off as separate entities in order to be managed in an integrated manner with other hospitals under the new holding company system.</p> <p>[2] The government will significantly expand the system for mixed use of medical treatments covered and uncovered by public insurance (the mixed medical treatment system).</p>		
	Detailed implementation path and status	Interim Steps for Implementation	Deadline
	Legislative process including passage of the law will be necessary.	1. The Institutional establishment is planned to be finished by the end of FY2015 2. This measure does not have a specific deadline.	1. The law for creating hospitals that promote regional coordination was approved in the ordinary Diet session in 2015. 2. The law to provide the mixed medical treatment system based on offers from patients was enforced in April 2016.
Impact of Measure	These measures will develop health care industry as a new growth engine.		

<ul style="list-style-type: none"> Expand trade openness through trade facilitation measures: 	The government will take trade facilitating measures such as streamlining trade-related procedures and extending opening hours of ports and harbors.		
Detailed implementation path	Interim Steps for Implementation	Deadline	Status

and status	All the necessary interim steps have been completed.	These measures do not have specific deadlines.	Customs offices of major airports are open 24 hours a day, 7 days a week. Legislations to enable Authorized Economic Operators to lodge declarations to any customs office were enacted in 2016.
Impact of Measure	These measures will contribute to economic growth through the acceleration of trade.		

<ul style="list-style-type: none"> Promote exports of agricultural, forestry and fishery products as well as foods 	Implement priority initiatives for the promotion of the exports of rice, beef, and other items that have substantial growth potential. Aim to achieve the export target of “one trillion yen in 2020” ahead of the current schedule.		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	N/A	Achieve the export target of “one trillion yen in 2020” ahead of the current schedule.	The export value of agricultural, forestry and fishery products and foods reached a record high of 0.75 trillion yen in 2015.
Impact of Measure	These measures will contribute to economic growth through the acceleration of trade.		

<ul style="list-style-type: none"> Support for the creation of next-generation healthcare industry 	Promote establishment of local versions of the Next-Generation Health Care Industry Council. Create a network of such councils and spread successful business models and initiatives in each region throughout the nation. In addition, establish platforms which promote (i) formulation of business models that include human resources development from the pre-investment stage; and (ii) supply of risk money, by cooperating with the Regional Economy Vitalization Corporation of Japan (REVIC) and other institutions.		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	All the necessary steps have been completed.		
Impact of Measure	These measures will develop health care industry as a new growth engine.		



<ul style="list-style-type: none"> • Consideration of changes in industrial and employment structures due to IoT, Big Data, and artificial intelligence 	<p>Immediately advance consideration of the impact of Internet of Things (IoT), Big Data, and artificial intelligence on industrial and employment structures, as well as necessary responses by the public and private sectors, as a common compass for both private and public sectors to help accelerate private investment and public policies in order to address the huge departure from the past brought by these new changes.</p>		
<p>Detailed implementation path and status</p>	Interim Steps for Implementation	Deadline	Status
	<p>The IoT Acceleration Consortium was established with the aim of creating an adequate environment for attracting investment in the future with the Internet of Things through public-private collaboration.</p>		Done
<p>Impact of Measure</p>	<p>These measures will develop technology industry as a new growth engine.</p>		

Other Non-key Commitments

Please complete a table for each commitment.

<ul style="list-style-type: none"> • Making progress on fiscal consolidation and economic revitalization: 	<p>The government will make its utmost efforts both on the expenditure and revenue sides to ensure that the current extremely deteriorated fiscal situation will not hinder progress in economic revitalization. The government will prioritize and streamline public expenditures so that they will contribute to economic growth and development more effectively.</p>		
<p>Implementation path and expected date of implementation</p>	<p>The government formulated the economic revitalization and fiscal consolidation plan (“The Plan to Advance Economic and Fiscal Revitalization”) on June 30th, 2015, which stipulates concrete measures to achieve a primary surplus by FY2020. In this plan, the government will assess the progress of reforming expenditure and revenue measures by using several benchmarks in FY2018.</p>		
<p>Status of Implementation and Impact</p>	<p>Implementation is on track. The government formulated, as scheduled, the economic revitalization and fiscal consolidation plan (“The Plan to Advance Economic and Fiscal Revitalization”) on June 30th, 2015.</p> <p>The fiscal consolidation target for FY2015, which is to halve the primary deficit to GDP ratio from the ratio of FY2010, is expected to be achieved.</p> <p>In addition, FY2016 initial budget could contain the increase in general expenditure in line with the benchmark set in this plan (increase by 470 billion yen).</p>		



	<p>The government strengthened the assessment framework of reform implementation. The Committee for Promoting the Integrated Economic and Fiscal Reforms under the Council on Economic and Fiscal Policy elaborated a Roadmap which clarifies details, timeline, and KPIs of 80 reform items.</p> <p>The committee and the Fiscal System Council will review the progress of reform implementation.</p> <p>We remain firmly committed to our target to achieve a primary surplus by FY2020, although the consumption tax increase has been postponed. In order to achieve the fiscal consolidation target, we will implement steadily the expenditure reforms on all fronts under the action plan “the Plan to Advance Economic and Fiscal Revitalization, in parallel with economic revitalization.</p>
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<ul style="list-style-type: none"> Promoting Innovation and “Robot Revolution”: 	<p>The government promote innovation of science and technology and develop infrastructure that links innovation technology with new business through following measures.</p> <p>- [1] establishing a “National System” that create business from innovative technology seeds, including through (i) reforming functionality of R&D institutes to enhance activities to link universities with business, (ii) allowing researchers to hold concurrent posts at universities and R&D institutes, and (iii) reforming employee invention system in order to incentivize both employees and companies (related bill will be submitted to the next ordinary session.).</p> <p>- [2] setting up the “Robotic Revolution Initiative Council” to create a 5 year plan by the end of 2014 with the aim of addressing social challenges by robots and new industrial revolution.</p>
<p>Implementation path and expected date of implementation</p>	<p>1. The system for advanced R&D institutes should be established by the end of FY2014.</p> <p>2. “Robot Revolution Realization Council” was set up and compiled the “New Robot Strategy” including a 5 year plan, based on the discussion of six times meetings in FY2014.</p>
<p>Status of Implementation and Impact</p>	<p>Implementation is on track.</p> <p>1. (i) National Institute of Advanced Industrial Science and Technology (AIST), which is one of the major national R&D institutions of Japan, set a medium-term goal of this reform, such as utilizing outside human resources for reinforcing technology marketing function from FY2015. (ii) A new framework was published which enables researchers to take several positions at universities and/or research institutions. Then, a new cross-appointment system was activated in January of 2015. (iii) The bill to reform the Patent Act was submitted to the ordinary Diet session in 2015, which will achieve a win-win scenario between employers and employees, where the former utilizes the employee’s inventions while the latter can obtain benefits if agreed by both in advance. All the necessary interim steps have been completed.</p> <p>2. As a promotion body of strategy, “Robot Revolution Initiative” was established with 3 working Groups i in May 2015 and will compile the reports in FY 2016.</p>



<ul style="list-style-type: none"> • Making more use of PPP/PFI: 	<p>The government is planning to make use of PPP in repairing the Metropolitan Expressway in Tokyo, and introduce concession contracts in the government-owned airports. It also established “Private Finance Initiative Promotion Corporation of Japan” in October 2013.</p>
<p>Implementation path and expected date of implementation</p>	<p>With regard to PFI projects for private entities awarded with infrastructure concession, the government set numerical targets for the number of projects (six airports, six water system, six sewage and one road project during FY2014-2016 as well as six public housing and three educational facilities during FY2016-2018), listed in the Action Plan for Promoting PPP/PFI (decision by the Council for the Promotion of Private Finance Initiatives on May 18, 2016).</p>
<p>Status of Implementation and Impact</p>	<p>Implementation is on track. Among six airports, projects at Tajima, Sendai and Osaka-Kansai Airport have started operation. Several other projects are now in the process of public subscription of operators.</p>

<ul style="list-style-type: none"> • Reinforcing Workforce and Reforming the Employment System: 	<p>The government will also implement following reforms to utilize foreign human resources.</p> <ul style="list-style-type: none"> - [1] reviewing current Technical Intern Training Systems, which invite trainees from abroad with the aim to support technology transfer, by implementing measures such as expanding job categories and extending training period from 3 years to 5 years, possibly starting from FY2015, while drastically strengthening management and supervision schemes.* - [2] considering schemes by the end of FY 2014 to accept foreign workers at overseas subsidiaries of Japanese corporations in manufacturing sector.* - [3] designing a system by the end of this year to enable foreign nationals, who obtained the national qualifications such as “certified care worker” by learning at Japanese higher education institutions, to work in the field of nursing care after graduation.* <p>[4] The government is shifting budget allocation from employment adjustment subsidies to labor mobility support subsidies to realize the labor mobility without unemployment.</p> <p>[5] In order to improve working conditions of part-time workers, the government has recently submitted a bill which expands the scope of part-time workers deemed equivalent to ordinary workers whose discriminately treatment is to be prohibited and requires employers to be accountable about the concrete measures to ensure adequate employment management (approved in April 2014).</p> <p>[6] The government has formulated a plan to increase "Career Consultant", who provides professional advices for career-formulation on July 2014.</p> <p>Through these measures and other efforts, the government aims to</p>
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	<p>increase ratio of hires who had changed jobs to 9% in five years (7.4% in 2011).</p> <p>[7] In terms of improving non-regular workers' careers and their working conditions and promoting workers' work-life balance, it will also consider support measures in FY2014 and implement them in FY2015 in order to spread and promote "diversified regular worker", which is different from usual regular workers in terms of definition for his or her duty, working place or working hours.*</p> <p>In order to realize flexible and diversified ways of working, the government will also pursue following initiatives.</p> <p>- [8] In order to meet the needs of workers who would like to be evaluated not based on working hours but on performance, a new working hour system to break the link between wages and the length of time spent at work will be created, while protecting workers' health and achieving a better work-life balance for workers who have a specific scope of duties and advanced professional skills, and meet a certain annual income requirement (e.g., a minimum of ¥10 million). After the Labor Policy Council has completed its deliberations and reached a conclusion on the system, the Government will take the necessary legislative measures during the next ordinary Diet session. *</p> <p>- [9] Given that major industrial countries have developed mechanisms for pecuniary remedies provided to workers through court decisions in line with their respective employment systems, the government will survey relevant systems and their operation at home and abroad. Base on the finding of the survey, the government will widely study the shape of globally accepted, transparent, fair and objective labor dispute resolutions systems in 2015. *</p>
<p>Implementation path and expected date of implementation</p>	<ol style="list-style-type: none"> 1. The bill on this reform was submitted to the ordinary Diet session in 2015. It is still under review by the Diet. 2. . Accepting foreign workers at overseas subsidiaries of Japanese corporations in manufacturing sector was started since March 2016. 3. The system will be designed by the end of 2014. 4. The budget allocation for employment adjustment subsidies will be overwhelmed by that for labor mobility support subsidies by FY2015. 5. All the necessary interim steps have been completed. 6. The action plan which aims to raise the number of "Career Consultants" up to 0.1 million was developed in July 2014. A law which obliges "Career Consultants" to be registered was promulgated in September 2015 and was in force in April 2016. 7. The Points of Attention Regarding Employment Management was published in July 2014. Also, the interpretation of the Labour Contract Act was notified to all the Prefectural Labour Bureaus in July 2014. Furthermore, the government implemented necessary measures in the FY2015 budget, such as dispatch of consultants to companies which are considering the introduction of "diversified regular workers".



	<p>8. The bill on this reform was submitted to the ordinary Diet session in 2015. It is still under review by the Diet.</p> <p>9. The government published the results of the survey on relevant systems and their operation at home and abroad in June 2015.</p>
<p>Status of Implementation and Impact</p>	<p>Implementation is on track.</p> <p>1. The draft law which enables this reform was submitted to the ordinary Diet session in 2015. It is still under review by the Diet.</p> <p>2. The government has implemented concrete schemes since March 2016.</p> <p>3. The draft law which enables this reform has been submitted to the ordinary Diet session in 2015. It is still under review by the Diet.</p> <p>4. The government has succeeded in the shift of budget allocation from employment adjustment subsidies to labor mobility support subsidies in FY2015 budget: employment adjustment subsidies (19.3 billion yen), labor mobility support subsidies (34.9 billion yen).</p> <p>5. This reform has been implemented since April 2015 through the approval of the law in 2014.</p> <p>6. The action plan which aims to raise the number of “Career Consultants” up to 0.1 million was developed in July 2014. A law which obliges “Career Consultants” to be registered was promulgated in September 2015 and was in force in April 2016.</p> <p>7. The Points of Attention Regarding Employment Management was published in July 2014. Also, the interpretation of the Labour Contract Act was notified to all the Prefectural Labour Bureaus in July 2014. Furthermore, the government implemented necessary measures in the FY2015 budget, such as dispatch of consultants to companies which are considering the introduction of “diversified regular workers”.</p> <p>8. The bill on this reform was submitted to the ordinary Diet session in 2015. It is still under review by the Diet.</p> <p>9. The government published the results of the survey on relevant systems and their operation at home and abroad in June 2015.</p>

<p>• Energy Sector:</p>	<p>Japan liberalized fully the electricity market on April 2016 to encourage entry of diverse players.</p> <p>The government submitted a bill to the ordinary Diet session last year, which secures further neutrality of electricity transmission and distribution sectors from generation and retail sectors by legal unbundling, and the bill was enacted in 2015.*</p>
<p>Implementation path and expected date of implementation</p>	<p>The government has set specific schedule for three stages of the Electricity System Reform, namely (i) establishment of the Organization for Cross-regional Coordination of Transmission Operators (OCCTO) in 2015, which is aiming at providing the electricity transmission network and strengthening the capacity for demand-supply balance across all areas in Japan, (ii) full retail competition in 2016, and (iii) legal unbundling of transmission and distribution sectors in 2020. It intends to complete entire electricity reforms in 2020.</p>



<p>Status of Implementation and Impact</p>	<p>Implementation is on track. Among three stages, (i) OCCTO has been founded on April 2015 as an institute in which all electricity operators must engage, (ii) the electricity retail market was fully liberalized on April 2014, and (iii) the law was enacted in June 2015 which determined to deregulate energy sector through abolition of (a) price regulation and (b) restrictions for market entrants.</p>
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<p>• Promoting economic partnership negotiations, taking trade facilitating measures, and resisting protectionism:</p>	<p>Japan will continue to promote economic partnership negotiations, including RCEP (Regional Comprehensive Economic Partnership), the Japan-China-ROK FTA, and the Japan-EU EPA.</p> <p>Japan will resist protectionism in all its forms including export restrictions and local content requirements, amongst others through complying with the G20 standstill and rollback commitments.</p>
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<p>Implementation path and expected date of implementation</p>	<p>The government will continue to participate in economic partnership negotiations.</p> <ul style="list-style-type: none"> ➤ Japan aims to reach agreement in principle on the Japan-EU EPA as early as possible in 2016. Japan also further intensifies its efforts to reach the conclusion of the RCEP negotiations in 2016. <p>Japan intends to continue cooperating closely with the other participating countries to aim for the early entry into force of the TPP (Trans-Pacific Partnership) Agreement .</p> <p>Furthermore, we continue negotiations on the Japan-China-ROK FTA, the Japan-Colombia EPA, and the Japan- Turkey EPA.</p>
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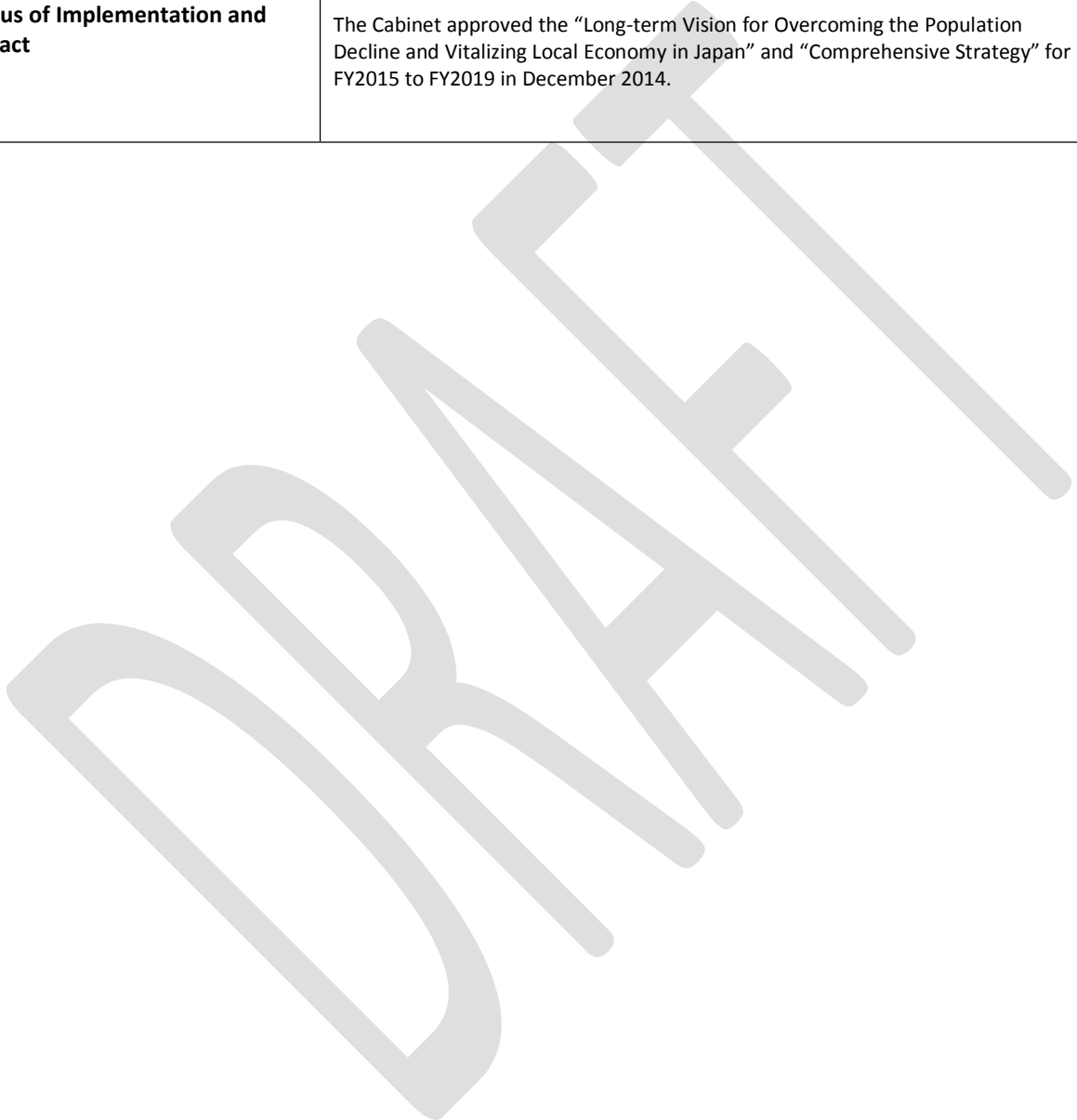
<p>Status of Implementation and Impact</p>	<p>Implementation is on track.</p> <ul style="list-style-type: none"> ➤ The Japan-Mongolia EPA entered into force in June 2016. ➤ The TPP Agreement was signed in February. The TPP Agreement and its related bill were submitted to the ordinary Diet session in March, 2016. They are still under consideration in the Diet.
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<p>• Revitalization and structural reform of local area *:</p>	<p>The government will amend the Local Revitalization Law and establish a one-stop platform for planning and implementing regional revitalization efforts. The amendment of the law will be submitted to the next ordinary Diet session.</p> <p>In order to overcome demographic challenges and aging society as well as build dynamic local economic structure, it is necessary to present a long-term and comprehensive vision for local economy. In this respect, the government established a headquarter function to promote various policies in comprehensive manner. The new headquarter’s objectives include (i) maintaining regional economy’s vitality through consolidation, integration, and networking of industry, employment, and urban functions in order to slow the outward migration to Tokyo, and (ii) overcoming the declining population and birth rate.</p>
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<p>Implementation path and</p>	<p>The bill to amend the Local Revitalization Law was submitted to the extraordinary Diet Session in 2014, it came into force on December 15, 2014.</p>
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<p>expected date of implementation</p>	<p>Most of prefecture and municipality formulated a “Regional Population Vision” and “Regional Comprehensive Strategy” during fiscal 2015.</p>
<p>Status of Implementation and Impact</p>	<p>Implementation is on track. A one-stop platform for planning and implementing regional revitalization efforts has been established.</p> <p>The Cabinet approved the “Long-term Vision for Overcoming the Population Decline and Vitalizing Local Economy in Japan” and “Comprehensive Strategy” for FY2015 to FY2019 in December 2014.</p>





Annex 2. New and Adjusted Policy Commitments since Antalya

This annex is for describing new measures introduced since Antalya, or Brisbane and Antalya commitments that have been adjusted or modified.

Please complete a table for each new or adjusted commitment put forward in 2016. Please keep to no longer than 1 page for each policy commitment.

<ul style="list-style-type: none"> The new or adjusted policy action: 	Facilitating the Fourth Industrial Revolution: IoT, Big Data, Robot
Implementation path and expected date of implementation	<p>Through the following pillars, the strategy envisages future added value of 30 trillion yen by 2020.</p> <ul style="list-style-type: none"> a. National focal point. Establish a public-private council to lead the Forth Industrial Revolution on a nationwide scale b. Regulation. Review existing regulations and administrative rules in a comprehensive manner. c. Use of Data. Promote use of data and technology, such as FinTech, supply-chain management, automated cars, drones, and smart factories, in particular for SMEs. d. Investment for innovation. Triple the amount of investment from corporations to universities and research institutes. Establish five world-class R&D centers. e. Strengthen human resource capacity. Provide high-level education by using IT. Make programming training mandatory. Provide green cards to foreigners in an expeditious manner.
What indicator(s) will be used to measure progress?	Future added value
Explanation of additionality or adjustment (where relevant)	



<ul style="list-style-type: none"> The new or adjusted policy action: 	Creating new growing markets
Implementation path and expected date of implementation	<p>Health industry: Promote use of robotics, Big data, IoT to R&D, diagnosis, examination, and nursery</p> <p>Environmental Energy industry: Promote renewable energy, fuel cell vehicles. Launch a negawatt market by 2017</p> <p>Sports-related industry: Link sports with IT, health, tourism, and fashion industries</p> <p>Existing House/ Renovation industry: Build valuation mechanism for existing by FY2016</p>
What indicator(s) will be used to measure progress?	<p>Health industry: Increase the market size from 16 trillion yen in 2011 to 26 trillion yen in 2020</p> <p>Environmental Energy industry: Increase the energy-related investment from 18 trillion yen (FY2014) to 28 trillion yen (FY2030)</p> <p>Sports-related industry: Increase the market size from 5.5 trillion yen in 2015 to 15 trillion yen in 2025</p> <p>Existing House/ Renovation industry: Increase the market size from 11 trillion yen in 2013 to 20 trillion yen in 2025</p>
Explanation of additionality or adjustment (where relevant)	



<ul style="list-style-type: none"> • The new or adjusted policy action: 	<p>Introduction of "Quantitative and Qualitative Monetary Easing (QQE) with a Negative Interest Rate"</p>
<p>Implementation path and expected date of implementation</p>	<p>In January 2016, the Policy Board of the Bank of Japan decided to introduce "Quantitative and Qualitative Monetary Easing (QQE) with a Negative Interest Rate" in order to achieve the price stability target of 2 percent at the earliest possible time.</p>
<p>What indicator(s) will be used to measure progress?</p>	<p>The Bank of Japan has lowered the short end of the yield curve by reducing its deposit rate on current accounts into negative territory and has been exerting further downward pressure on interest rates across the entire yield curve, in combination with large-scale purchases of JGBs.</p> <p>By making full use of "QQE with a Negative Interest Rate," the Bank will achieve the price stability target of 2 percent at the earliest possible time.</p>
<p>Explanation of additionality or adjustment (where relevant)</p>	<p>"Quantitative and Qualitative Monetary Easing (QQE) with a Negative Interest Rate" added the new dimension of "a negative interest rate" to the existing policy of QQE.</p>



<ul style="list-style-type: none"> The new or adjusted policy action: 	Strengthening local economies (“Local Abenomics”)
Implementation path and expected date of implementation	<p>Focusing on key areas that are most relevant to rural areas, such as service industry, SMEs, agricultural industry, and tourism. Examples of polices include:</p> <ul style="list-style-type: none"> a. Service. Promote innovative service development by subsidies and create industry-specific guidelines to boost productivity b. Agriculture. Strengthen the coordination between industry and agriculture. Promote smart agriculture. c. Tourism. Develop tourism professionals. Support tourism management on a regional scale.
What indicator(s) will be used to measure progress?	<ul style="list-style-type: none"> a. Service. Increase the market size from 343 trillion yen in 2014 to 410 trillion yen in 2020 b. Agriculture. Increase the market size from 5.1 trillion yen in 2014 to 10 trillion yen in 2020 c. Tourism. Increase the amount of travel consumption by foreign tourists from 3.5 trillion yen in 2015 to 8 trillion yen in 2020
Explanation of additionality or adjustment (where relevant)	



<ul style="list-style-type: none"> • The new or adjusted policy action: 	<p>Working Style Reform</p>
<p>Implementation path and expected date of implementation</p>	<p>Promotion of working-style reforms as follows:</p> <p>Non-Regular Workers: increase the wage level of part-time workers in relation to full-time workers and reduce the percentage of people who are forced to work as non-regular workers against their will.</p> <p>Long Working Hours: change the practice of long working hours.</p> <p>Employment of the Elderly: enhance the employment of the elderly.</p> <p>Minimum Wage Increase</p>
<p>What indicator(s) will be used to measure progress?</p>	<p>Non-Regular Workers: The wage level of part-time workers in relation to full-time workers: 56.6% in 2014 → the equivalent level compared to European nations(*1). Also, the percentage of people who are forced to work as non-regular workers against their will: 18.1% in 2014→10% or less in 2020</p> <p>Long Working Hours: The ratio of workers working more than 49 hours a week : 21.3% in 2014 → The equivalent level compared to European nations(*2)</p> <p>Employment of the Elderly: The employment rate of people above the age of 65: 21.7% in 2015→enabling all the elderly wishing to work to be employed (65.9%)</p> <p>Minimum Wage Increase: Raising it at an annual rate of approximately 3%, considering the growth rate of nominal GDP.</p>
<p>Explanation of additionality or adjustment (where relevant)</p>	<p><i>Press Conference by Prime Minister Shinzo Abe, 3rd August 2016</i></p> <p><i>We are aiming to achieve a 600 trillion yen GDP, Japan’s largest GDP in the post-war era. We are also working to accomplish the goal of “the desirable birth rate of 1.8,” and to reduce to zero the number of people who are forced to leave their jobs for nursing care. Aiming at these three targets, the Abe Cabinet will continue its fight to take on challenges towards the future, raising still higher the flag of enabling all citizens to be dynamically engaged.</i></p> <p><i>The greatest challenge within this will be reforming the working style we have in Japan. We will rectify the problem of working long hours. We will make equal pay for equal work a reality and eradicate from Japan the expression “non-permanent employment.” A large number of challenges await us, including raising the minimum wage and providing employment</i></p>



<i>opportunities to the elderly.</i>

(*1)The wage level of part-time workers in relation to full-time workers: Japan 56.6%, USA 30.3%, Germany 79.3%, France 89.1%, Italy 70.8%, Netherland 78.8%, Denmark 70.0%, Sweden 83.1%

(*2)The ratio of workers working more than 49 hours a week: Japan 21.3%, USA 16.6%, UK 12.5%, France 10.4%, Germany 10.1%





Annex 3. Past commitment – St. Petersburg fiscal commitment

Please include the overall assessment of the 2010 Toronto commitments. Please update the tables as follows:

Medium-term projections, and change since last submission (required for all members):

	Estimate Projections						
	2014-15*	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Gross Debt**	195.4	198.6	198.7	197.7	194.7	190.8	186.8
<i>ppt change</i>	4.0	8.2	10.1	9.8	-	-	-
Net Debt	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<i>ppt change</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Deficit**	-5.8	-4.9	-5.0	-4.0	-3.6	-3.4	-3.2
<i>ppt change</i>	0.6	0.5	-0.1	1.1	-	-	-
Primary Balance**	-4.1	-3.2	-3.1	-2.2	-1.9	-1.6	-1.0
<i>ppt change</i>	0.2	0.1	-0.5	0.2	-	-	-
CAPB	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<i>ppt change</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year.

** Figures in this table refer to those of the central and local government combined. They exclude the expenditures and revenues related to the recovery and reconstruction from the Great East Japan Earthquake.

The debt- to- GDP ratio and deficit projections are contingent on the following assumptions for growth:

	Estimate Projections						
	2014-15*	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Real GDP growth	-0.9	0.8	0.9	1.2	1.9	2.0	2.1
<i>ppt change</i>	-1.9	-1.2	-1.0	0.8	-	-	-
Nominal GDP growth	1.5	2.2	2.2	2.2	3.3	3.8	3.9
<i>ppt change</i>	-1.6	-1.5	-1.7	-1.3	-	-	-

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year.

Sources: - “Quarterly Estimates of GDP: January – March 2016(The Second Preliminary)” (Cabinet Office, June 2016)

- “Mid-Year Economic Projection for FY2016” (Cabinet Office, July 2016)

- “Economic and Fiscal Projections for Medium to Long Term Analysis” (Cabinet Office, July2016)

Note: Figures except actual values are estimated under the assumption that the consumption tax rate (central and local combined) will be raised to 10% in October 2019.

Annex 4. Pre-Brisbane commitments

The purpose of these tables is to monitor the implementation of members’ Pre-Brisbane commitments.

Pre-Brisbane Commitments

Please include a maximum of 5 important structural reform commitments from Action Plans prior to Brisbane.

The Bank of Japan will continue quantitative and qualitative monetary easing (QQE) as long as necessary for achieving the price stability target of 2 percent in a stable manner.	
monetary & exchange rate policies	St. Petersburg Action Plan
Rationale for carrying forward	Achieving 2 percent price stability target will contribute to the recovery of Japanese economy and also to G20’s collective goal of strong, sustainable and balanced growth.
Update on Progress	QQE has been exerting its intended effects, and conversion of the deflationary mindset has been progressing steadily.

Create new industries and new markets through innovation in the areas such as environment and health care	
Structural reform	Los Cabos Action Plan
Rationale for carrying forward	This measure will contribute to strong, sustainable and balanced growth by creating new growth engines.
Update on Progress	In order to promote introduction of renewable energy, the government amended regulations, which includes to accelerate environmental assessment process and to rationalize safety regulations. In health care sector, implemented reforms include clarification of “gray zone” in health care industry’s regulation and to allow sales via Internet for non-prescription drugs.

Promoting R&D investments on the medical technologies, including through establishing a new institution which will play a “Control Tower” function for managing research programs (relevant bills to be submitted to the Diet)	
Structural reform	St. Petersburg Action Plan
Rationale for carrying forward	This measure will contribute to strong, sustainable and balanced growth by accelerating R&D investments in the medical area.

Update on Progress	The law to establish a new institution (Japan Agency for Medical Research and Development) was approved by the Diet in May 2014. The new institution started its operation from April 2015.
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Speeding up government’s assessment procedures for new pharmaceutical products and medical devices, including through strengthening the government unit responsible for the assessment.	
Structural reform	St. Petersburg Action Plan
Rationale for carrying forward	This measure will contribute to strong, sustainable and balanced growth by strengthening pharmaceutical, medical device and regenerative medicine industry sectors through the faster utilization of newly invented pharmaceuticals, medical devices and regenerative medicine products.
Update on Progress	The law to revise Pharmaceutical Affairs Law was enforced in November 2014, which is expected to contribute to expedite approval of new pharmaceuticals, medical devices and regenerative medicine products as well as to ensure patient safety. The Pharmaceuticals and Medical Devices Agency, which is responsible for the assessment of those medicinal products, will be strengthened and the total number of regular personnel lead to up to 1,065 by the end of the FY 2018.

Annex 5. Key Economic Indicators

Please update table of key indicators as follows:

	Key Indicators					
	2015***	2016	2017	2018	2019	2020
I. Macroeconomic Indicators						
Real GDP (% yoy)	0.8	0.9	1.2	1.9	2.0	2.1
Nominal GDP (% yoy)	2.2	2.2	2.2	3.3	3.8	3.9
Output Gap (% of GDP)*	-1.2	-0.8	-0.5	0.0	0.2	0.0
Inflation (% yoy) <i>(Consumer Price Index (all items))</i>	0.2	0.4	1.4	2.0	2.5	2.5
Fiscal Balance (% of GDP)**	-4.9	-5.0	-4.0	-3.6	-3.4	-3.2
Unemployment (%)	3.3	3.2	3.1	3.1	3.1	3.1
Savings (% of GDP)	n/a	n/a	n/a	n/a	n/a	n/a
Investment (% of GDP)	21.9	21.7****	n/a	n/a	n/a	n/a
Public Fixed Capital Investment (% GDP)	4.6	4.4****	n/a	n/a	n/a	n/a
Private Fixed Capital Investment (% GDP)	17.0	17.3****	n/a	n/a	n/a	n/a
Total Fixed Capital Investment (% GDP)	21.6	21.6****	n/a	n/a	n/a	n/a
Current Account Balance (% of GDP) (From FY2016, Balance by Sector, Overseas)	-3.6	-4.1	-4.1	-4.3	-4.4	-4.4

*A positive (negative) gap indicates an economy above (below) its potential.

**A positive (negative) balance indicates a fiscal surplus (deficit). "Fiscal Balance" refers to that of the central and local government combined. It excludes the expenditures and revenues related to the recovery and reconstruction from the Great East Japan Earthquake.

*** Indicators can be presented on a fiscal year basis, should they be unavailable for the calendar year.

**** Indicators are calculated by figures of "Fiscal 2016 Economic Outlook and Basic Stance for Economic and Fiscal Management" (Cabinet Office, January 2016)

Sources: - "Quarterly Estimates of GDP: January – March 2016 (The Second Preliminary)" (Cabinet Office, June 2016)
 - "Fiscal 2016 Economic Outlook and Basic Stance for Economic and Fiscal Management" (Cabinet Office, January 2016)
 - "Mid-Year Economic Projection for FY2016" (Cabinet Office, July 2016)
 - "Economic and Fiscal Projections for Medium to Long Term Analysis" (Cabinet Office, July 2016)

Note: Figures except actual values are estimated under the assumption that the consumption tax rate (central and local combined) will be raised to 10% in October 2019.